

BUSINESS UPDATE

Building for Scale

May 27, 2022, Mumbai: Welspun Corp Ltd. (WCL), a flagship Company of the Welspun Group, announced its consolidated financial results for the quarter and full year ended March 31, 2022.

- Won Single Largest Order ever, valued at Rs. 5000+ cr for supply of pipes in the US
- Current Order Book of 925 KMT, active bid book of 1,250 KMT
- Revenue from Operations for Q4FY22 at Rs. 2,011 cr, up 39.5% QoQ
- Sales Volume (QoQ): Line Pipes up 58%, Billets up 65%, SS Pipes up +32%
- Achieves Rs. 1023 cr EBITDA for FY22

Note: Sales Volume & Order Book includes our Saudi operations

Key Highlights of the Quarter ended March 31, 2022

- Prior period figures are restated after the acquisition of the Steel business of Welspun Steel Limited
- Financial Highlights (Consolidated) for Continuing Operations (Ind AS)

1. Global Order Book position

- Current Global Order Book stands at 925 KMT valued at Rs. 12,250 cr

2. Revenue from Operations

- Q4 FY22 at Rs. 2,011 cr vs. Rs. 1,442 cr, QoQ, up 39.5%

3. Sales Volumes (Q4 FY22)

- Line Pipes: 269 KMT vs. 171 KMT QoQ | Billets: 18 KMT vs. 11 KMT QoQ | SS Pipes 1,160 MT vs. 881 MT QoQ

4. EBITDA

- Reported EBITDA for Q4FY22 at Rs. 474 cr, up 181.8% QoQ

5. Profit (Continuing Operations)

- PAT (after Minorities & share of JVs) stands at Rs. 236 cr, up 415.7% QoQ

6. Net Debt / (Cash) position

Figures in Rs. Cr

Consolidated debt	Mar-22	Dec-21	Mar-21
Gross Debt	2,021	1,568	963
Cash & Cash Equivalents	2,195	2,119	1,410
Net Debt / (Cash)	(173)	(551)	(447)

BUSINESS UPDATE

7. Corporate Tax Rate

The company has fully utilized its existing tax credits in FY21 and has switched to the new corporate tax rate of 25.17% in FY22 from 34.94% (both including surcharges) in India.

8. Dividend

The Board has recommended a final dividend of Rs. 5.00 per share for FY22 which will be paid after the AGM. During Q2 FY22, the company paid a dividend of ~ INR 130 crores. The dividend amount declared per share for FY21 was 100% of FV of Rs. 5.00 per share.

9. Business Outlook

Russia's invasion of Ukraine are driving up the prices in the Global Energy market. Crude oil prices remain above \$100/b. Sanctions on Russia have contributed to rising crude prices with significant market uncertainties about the potential for further supply disruptions. Gas prices in Europe and Asia have also gone up in tandem and are at around \$30 per mmbtu and while they are at about \$8 per mmbtu in the U.S.

We are in active discussions for several orders in the export markets which have seen an improvement in prospects for pipelines due to high oil prices, increased energy demand and Europe looking to diversify its energy supply.

India

Line Pipes

The Government has set a target to raise the share of natural gas in the energy mix to 15% by 2030 from about 6.7% now. Various steps taken by the Government in this direction include expansion of National Gas Grid Pipeline, expansion of City Gas Distribution (CGD) network, setting up of Liquefied Natural Gas (LNG) Terminals etc.

Petroleum & Natural Gas Regulatory Board (PNGRB) has authorized approximately 33,768 km length of Natural Gas Pipeline Network across the country. Out of this, 20,334 km length of natural gas pipelines including spur lines, are operational and a total of 15,194 km length of pipelines are under various stages of construction. The length of operational pipelines has increased from 16,368 kms in March 2019 to 20,334 kms in December 2021.

PNGRB has authorized 268 Geographical Areas (GAs) for development of CGD Network in the country. Further, Letters of Intent have been issued for 21 GAs. Also, PNGRB has launched 11th CGD bidding round for development of CGD Networks in 6 GAs (covering 27 districts). After that, the CGD network shall potentially cover 98% population and 88% geographical areas of the country. The number of CNG stations established by various authorized entities has increased from 1,742 in March 2019 to 3,878 in January 2022. The pipelines being laid by the CGD entities has also increased from 161,992 inch kms to 352,961

BUSINESS UPDATE

inch kms as of January 2022. The CGD sector is still in a nascent stage in India and the demand for ERW pipes is likely to remain healthy going forward.

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), the umbrella irrigation scheme, launched in 2015 will provide central grants to the State Governments for Accelerated Irrigation Benefits Programme (AIBP) and Har Khet Ko Pani (HKKP). This will continue through 2026, with a total funding requirement of Rs. 93,068 crore. The plan includes Rs. 37,454 crore central assistance to states and Rs 20,435 crore of debt servicing for past loans availed for PMKSY. States are also expected to part-fund the scheme.

Total additional irrigation potential creation targeted during 2021-26 under AIBP is 13.88 lakh hectare. Apart from focused completion of 60 ongoing projects including their 30.23 lakh hectare command area development, additional projects can also be taken up. The inclusion criteria have been relaxed for projects under tribal and drought prone areas.

The coordinated focus by both the Central and State Governments on irrigation is expected to drive the demand for large diameter HSAW pipes.

The government has levied an export duty of 15% on almost all the major steel products to drive volumes to the domestic market and to make steel prices affordable for domestic consumers like Autos, MSMEs, Infrastructure etc. Procurement of steel had become challenging and this measure would boost availability for us in the domestic market.

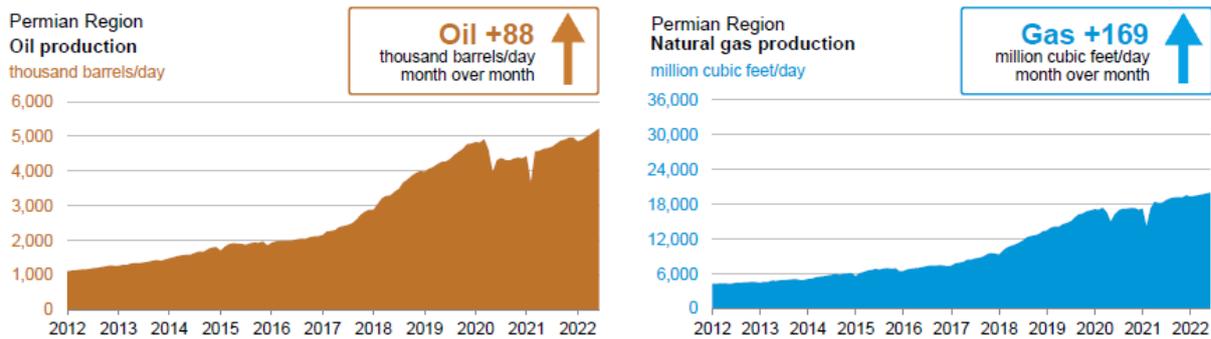
USA

With the clean energy transition interrupted due to soaring prices and the disruptions caused by geo political events in Europe, there is a revival for fossil fuels. Governments are releasing strategic reserves, lining up new supplies and urging oil and gas producers to pump up production. As a result, we have seen an increase in exploration. The distribution network creation for Shale oil and gas in US has seen a resurgence after almost two years of lull coupled with the administration's permitting woes.

US is now focused on boosting oil and gas supply within the country but also trying to provide the much-needed back up to Europe for critical gas supplies which has been on the tenterhook considering the huge supply dependence on Russia.

We see Permian Oil & Gas in US a big gainer in terms of its contribution in this resurgence. Oil excavation in the West Texan basin has shot upwards of 5.2 billion barrels a day thereby creating a need to evacuate both Oil & Gas through some potential long distance large diameter pipelines.

BUSINESS UPDATE



Source: U. S. Energy Information Administration | Permian Region Drilling Productivity Report

We recently announced winning of the single largest order in our history for supply of pipes valued at Rs. 5000 + crores (approx) in the US. This order is for supply of 325,000 MT (approx) of large diameter coated pipes for transporting natural gas from the Permian Basin to Houston. The pipes for this order will be produced from our Little Rock plant in the US and the same will be executed over a period of 12 months, commencing H2 of FY23. This large new order from the US comes on the back of another win we had announced in April 2022, of a 26,000 MT order from a long-standing customer in North America.

Saudi Arabia

With surging oil prices, we are confident that further opportunities will arise, both in the Oil & Gas and the Water segment.

Saudi Aramco aims to boost its capex to US\$40 billion-US\$50 billion in 2022, with further growth expected until around the middle of the decade. Capex in 2021 was US\$31.9 billion, an increase of 18% from 2020. It plans to raise crude oil "maximum sustainable capacity" to 13 million barrels a day by 2027, and wants to boost gas production by more than 50% by 2030.

Saudi Arabia is planning to partner with the private sector to deliver 3,500 kilometres of new water transmission lines that will distribute more than 4 million cubic metres a day of desalinated water, requiring a total investment of \$16bn. The projects are the first water transmission PPP projects in the Middle East, and will be the first water transmission schemes globally to be tendered as separate concession contracts without being bundled along with a water supply project such as a reservoir or production plant.

10. Welspun Specialty Solutions Limited (WSSL)

WSSL has seen a sustained improvement in performance in FY22 and obtained several new customer approvals. SS Pipe volumes were higher by 82% for Q4 FY22 and higher by 50% for FY22, compared to the corresponding period in the previous year. The company restarted its Steel Melting (SMS plant) operations during Q3FY22 which has helped mitigate challenges being faced in Raw Material procurement and hurdles in logistics.

BUSINESS UPDATE

WSSL continues to win orders both in the domestic and export market. In addition, it continues to reap benefits out of country's 'Make in India' indigenisation projects with several Private and PSU companies. Increasingly, customers are preferring to source locally which is favourable for the company.

During the Quarter, WSSL successfully:

- Completed the development and manufacturing of an SS 347H grade Shot Peened Pipe
- Established extrusion and cold finishing for Super Duplex stainless steel tubes and dispatched its first order
- Manufactured 6" diameter Pipes with a stringent acceptance criterion for a critical nuclear power project
- Entered into another niche market segment by successfully executing first lot of Heat Exchanger tubes in SS 317L grade.
- Delivered the first order from a prominent company in the Fertilizer industry

11. IPO update of EPIC

During the quarter, the company announced the successful listing of its Joint Venture Company in Kingdom of Saudi Arabia ("KSA"), East Pipes Integrated Company for Industry (EPIC) on the Saudi Exchanges Main Market ("Tadawul") at the final offer price of SAR 80 per share. Post the IPO, WCL owns 35.01% (from earlier 50.01%) through its step-down subsidiary in Mauritius and will continue to be the largest shareholder in EPIC. Welspun Holdings Mauritius received gross proceeds of SAR 252 million (~ INR 500 crores) and has shown the gain of Rs.359 crores under "Other Income".

12. Merger Update - Acquisition of Steel business of Welspun Steel Limited

The transaction was completed on 16 March, 2022 with the Appointed Date of April 1, 2021. In line with the accounting standards, all prior figures including for the year ended March 31, 2021 have been restated after consolidation of the demerged steel undertaking of WSL and WSSL.

13. Business Growth & Diversification

WCL's growth strategy entails creating a diversified product portfolio, repurposing its business to add new target segments, expanding its offerings to address both the B2B and B2C markets, and making well-considered strategic acquisitions. The diversification into the B2C segment will help the Company to significantly expand its base, enhance its brand, penetrate new markets, build a distribution network and provide opportunities to develop new products.

In this regard, we have acquired Sintex BAPL Ltd.'s Senior Secured Unlisted Non-Convertible Debentures with outstanding of Rs. 1,176.61 Crore for a purchase price of Rs. 403.16 Crore by our wholly-owned subsidiary viz. Mahatva Plastic Products And Building Materials Private Limited.

BUSINESS UPDATE

14. Update on Ductile Iron Pipe Project

As announced in October 2020, given the industry prospects and synergies with our existing business, we are setting up a Greenfield facility at Anjar to enter the Ductile Iron (DI) Pipe business. We expect to be ready with our product offering at the end of June 2022.

There is a big focus on creating drinking water supply in the country through Government programs. In the Union Budget, the Finance Minister earmarked Rs. 60,000 crore for the Jal Jeevan Mission that aims to provide potable water to 3.8 crore households in 2022-23. Overall, the Jal Shakti Ministry was allocated a total of Rs. 86,189 crore, higher from Rs. 69,052 crore allocated in the previous fiscal year. Furthermore, our internal forecasts based on interactions with various potential customers and industry participants, indicate a robust demand for DI pipes over the next 5-7 years.

Due to improvements to the project plan and inflation, the project cost has been revised from INR 1,550 crores (plus soft costs) to INR 1,900 crores (plus soft costs). Some of the major reasons for the variance are: 1) Design changes for productivity improvements and increased safety 2) Augmentation and increase in capacities of BF, Sinter, Coke and DI 3) Own Oxygen plant instead of a BOOT model 4) Transfer of BF gas directly the power plant to reduce emissions 5) Cost escalation for key input commodities like Steel, TMT bars, Cement, Ocean Freight etc. and 6) Creating expanded residential infrastructure for our Staff and Associates.

The project viability continues to be healthy with the increased investment, being offset through productivity gains and increased realizations for DI pipes.

15. Long Steel Products

The demand for Long Steel Products will be supported by increased government spending on infrastructure. The Union Budget 2022-23 has seen an increase of 36% Y-o-Y in allocation of capex at Rs. 7.5 lakh crore. The budget has infrastructure push towards seven engines (roads, railways, airports, ports, mass transport, waterways and logistic infra). The allocation for various schemes like Pradhan Mantri Awas Yojana (for housing) will have a positive impact on long steel players. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31.

Our forward integration plan of setting up a TMT Bars plant at Anjar with a capacity of 350 KMPTA is on track and we expect to begin Commercial Operations by July 2022.

16. ESG Initiatives

During the year, we have taken several ESG interventions aligned with global ESG standards. WCL was ranked 13th among the 41 companies included in its industry group (68th percentile) in S&P Global's DJSI Corporate Sustainability Assessment (CSA).

Our Key Focus areas moving forward are:

BUSINESS UPDATE

a) GreenHouse Gas (GHG) Inventory

- We have completed goals and target setting – aim to be Carbon Neutral by 2040

b) TCFD (Task Force on Climate Related Financial Disclosures)

- Physical & transition risks have been identified and analysed and TCFD action report prepared based on the 4 pillars (governance, strategy, risk management and metrics & targets)

c) Governance Structure

- Established ESG Committee at the Board level (ESG & CSR Committee) with defined terms of reference
- Separate role of Board Chairperson and Managing Director
- Fully independent audit committee and nomination & remuneration committee (100% independent directors)
- Expanded scope of Stakeholder Relationship Committee to include all stakeholders (investors, customers, suppliers / business partners, employees and other stakeholders)
- Appointment of Lead Independent Director to strengthen Board structure

d) Ethics & Compliance

e) Strengthening Supply Chain

f) Highest level of transparency and disclosures

Management Comments

Commenting on the results, Mr. B. K. Goenka, Chairman, Welspun Group said, *“FY2021-22 was a pivotal year for the company as we made significant progress on our Business Growth & Diversification Strategy. We demonstrated resilience despite a sharp increase in steel prices and a weak operating environment. As we embark upon a new journey of growth along with sustainability at the core, we are confident of creating incremental value for all our stakeholders. Our foray into the B2C segment will help improve our competitiveness and provide a stronger base for future growth.”*

“The acquisition of the Steel business of Welspun Steel has been completed. The upcoming Ductile Iron Pipes plant is going to commence production soon. I am confident that this will further strengthen the strong and successful business model of the Company. I am pleased by our recent order win in the US line pipe business, which is the single largest order in the history of our company. This marks a revival for the US facility and we expect to receive more orders in due course of time. Overall, we are well geared to help the development of infrastructure in the oil, gas and water industries across India and the World.”

BUSINESS UPDATE

Consolidated Performance Snapshot

Sales Volumes (MT)	Q4FY22	Q3FY22	Q4FY21	FY22	FY21
Line Pipes	269,424	170,892	246,616	795,827	1,002,950
Billets	17,989	10,872	60,307	111,738	175,403
SS Pipes	1,160	881	636	2,915	1,937

Figures in Rs. Cr

Consolidated Profit & Loss Account	Q4FY22	Q3FY22	Q4FY21	FY22	FY21
Continuing Operations					
Total Revenue from Operations	2,011	1,442	2,036	6,505	7,153
Other Income	402	58	96	551	357
Reported EBITDA	474	168	353	1,023	1,152
Depreciation and Amortisation	63	64	62	255	246
Finance Cost	30	27	13	102	85
Profit before tax and share of JVs	380	77	278	666	820
Share of profit/(loss) from Associates and JVs	13	(16)	(20)	(6)	135
Exceptional Items - Income / (Expenses)	-	-	141	-	138
Tax expense	130	22	21	216	255
Non-controlling interest	27	(7)	66	5	59
PAT after Minorities, Associates & JVs (I)	236	46	312	439	779
Discontinued Operations					
(PCMD & 43MW)					
Profit After Tax (II)	-	-	(6)	-	(11)
Net Profit / (Loss) attributable to Owners	236	46	306	439	768

Prior period figures have been restated, wherever necessary

Saudi Financials

Key figures of East Pipes Integrated Company for Industry (EPIC):

Figures in SAR Mn

Particulars in SAR MN	FY22	FY21
Saudi Arabia Ops:		
Revenue	597	936
Operating (loss) profit	15	208
(Loss) profit before zakat and income tax	(2)	176
(Loss) profit for the period	(3)	148

Prior period figures have been restated, wherever necessary

BUSINESS UPDATE

Q4 FY22 Investor & Analyst conference call:

WCL management would be happy to answer investor queries on a conference call. Please find details below:

Date: Monday, 30th May 2022

Time: 10:00 AM IST

Dial in details:

- Primary Access: +91 22 6280 1325 / +91 22 7115 8226
- International Toll-Free numbers
 - Hong Kong: 800 964 448
 - Singapore: 800 1012 045
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About Welspun Corp Ltd. (WCL)

Welspun Corp Ltd. is a flagship company of global conglomerate 'Welspun Group', one of India's fastest-growing multinationals with a leadership position in line pipes, home textiles, infrastructure, warehousing, retail, advanced textiles, and flooring solutions.

Welspun Corp Ltd. (WCL) is a one-stop service provider offering end-to-end pipe solutions ranging from 1½ inches to 140 inches. The business also offers specialized coating, double jointing, and bending as some of its core strengths. With a current capacity of over 2.5 million MTPA in Dahej, Anjar, Mandya, and Bhopal in India, Little Rock in the USA, and Dammam in Saudi Arabia; WCL takes pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies, globally.

As a part of its Business Growth & Diversification strategy, WCL is setting up a state-of-the-art Greenfield facility at Anjar to enter the Ductile Iron Pipe business. It has also acquired the steel business of Welspun Steel Limited (WSL) through a scheme of arrangement. Through this acquisition, the company looks to add stakeholder value by manufacturing of BIS Certified Steel Billets, Direct Reduced Iron, TMT bars, Stainless & Alloy Steel and Stainless Steel Tubes & Pipes.

With 360-degree abilities in pipe products, operational excellence, and technological innovation, WCL has undertaken some of the most challenging projects around the world viz. world's deepest pipeline, world's heaviest pipeline, and others. Supported by its state-of-the-art facilities and global-scale operations, WCL caters to energy and water resource management for the safe and environmentally-friendly transportation of oil, gas, petro-products, and water.

For further information please visit www.welspuncorp.com

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